



Global Economy Report

July-August 2017



Global Economy Report

The Global Economy Report is prepared in cooperation by the Macroeconomic Research Division of Banca Aletti and the Global Governance Programme of the Robert Schuman Centre for Advanced Studies of the European University Institute.

The objective of the Report is to provide an analysis of the current and expected macroeconomic and financial conditions at the global level, with also a focus on key economic areas such as Europe, the USA and ASIA.

This report has been prepared by:

- Daniele Limonta (daniele.limonta@alettibank.it)
- Massimiliano Marcellino (massimiliano.marcellino@eui.eu)
- Alessandro Stanzini (alessandro.stanzini@alettibank.it)

with the collaboration of:

- Alberta Martino (albertamartino@gmail.com)

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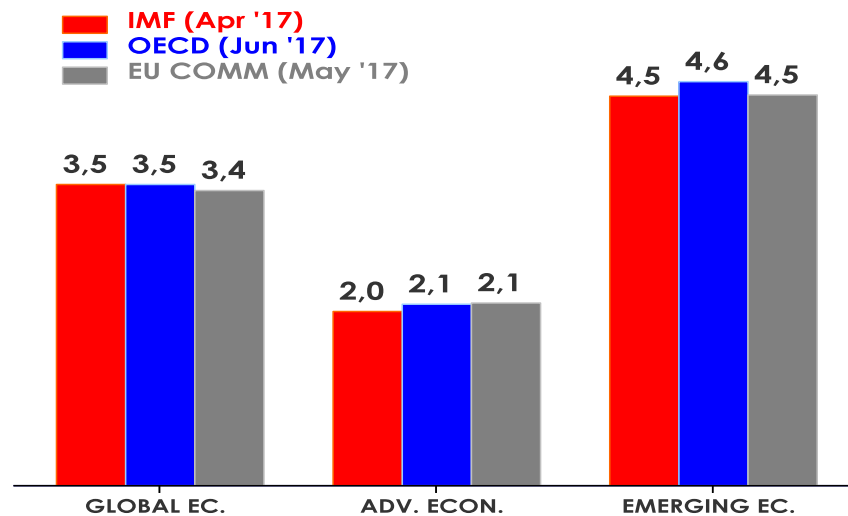
The latest release of the OECD global outlook increases slightly the forecast of global growth to 3.5% for 2017 and keeps it steady at 3.6% for 2018. Interestingly, forecasts for US growth have been lowered (to 2.1% and 2.4%) while those for the euro area increased (to 1.8% for both 2017 and 2018)

OECD– GLOBAL GROWTH
Average yearly changes – Global Outlook, June 2017

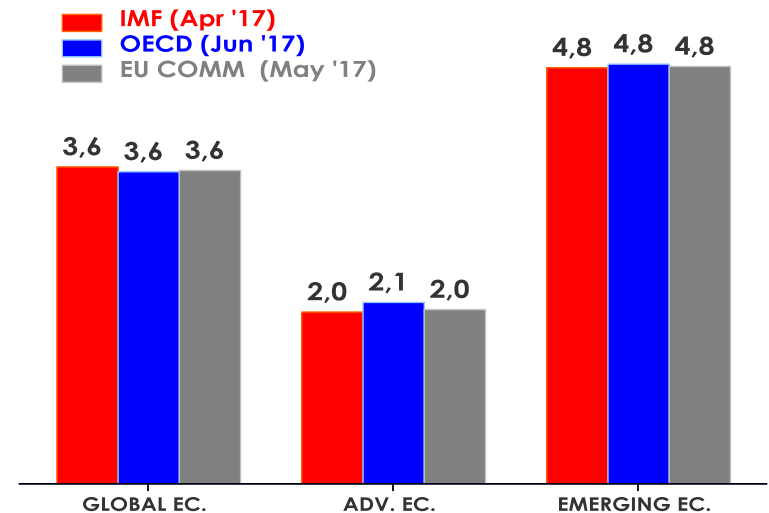
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017e | diff. | 2018e | diff. |
|----------------------------|-------------|------|------|------|------|------------|-------|------------|-------|
| | PIL (% a/a) | | | | | | | | |
| GLOBAL GROWTH | 3.4 | 3.3 | 3.4 | 3.2 | 3.0 | 3.5 | 0.2 | 3.6 | 0.0 |
| ADVANCED ECONOMIES* | 1.2 | 1.4 | 1.9 | 2.2 | 1.8 | 2.1 | 0.1 | 2.1 | -0.2 |
| USA | 2.3 | 2.2 | 2.4 | 2.6 | 1.6 | 2.1 | -0.3 | 2.4 | -0.4 |
| EUROZONE | -0.8 | -0.3 | 0.9 | 1.9 | 1.7 | 1.8 | 0.2 | 1.8 | 0.2 |
| GERMANY | 0.7 | 0.2 | 1.6 | 1.5 | 1.8 | 2.0 | 0.2 | 2.0 | 0.3 |
| FRANCE | 0.0 | 0.3 | 0.6 | 1.2 | 1.1 | 1.3 | -0.1 | 1.5 | 0.1 |
| ITALY | -2.4 | -1.7 | -0.3 | 0.7 | 1.0 | 1.0 | 0.0 | 0.8 | -0.2 |
| SPAIN * | -1.6 | -1.2 | 1.4 | 3.2 | 3.2 | 2.8 | 0.5 | 2.4 | 0.2 |
| JAPAN | 1.5 | 1.6 | 0.0 | 1.2 | 1.0 | 1.2 | 0.4 | 0.6 | 0.1 |
| UK | 0.3 | 1.7 | 3.1 | 2.2 | 1.8 | 1.6 | 0.5 | 1.0 | 0.1 |
| CANADA | 1.7 | 2.0 | 2.5 | 0.9 | 1.4 | 2.8 | 0.0 | 2.3 | 0.0 |
| EMERGING ECONOMIES* | 5.1 | 5.0 | 4.6 | 3.9 | 4.1 | 4.6 | 0.1 | 4.8 | 0.2 |
| RUSSIA * | 3.4 | 1.3 | 0.7 | -2.8 | -0.2 | 1.4 | 0.6 | 1.6 | 0.6 |
| CHINA | 7.7 | 7.8 | 7.3 | 6.9 | 6.7 | 6.6 | 0.1 | 6.4 | 0.1 |
| INDIA | 4.7 | 6.9 | 7.2 | 7.9 | 7.1 | 7.3 | 0.0 | 7.7 | 0.0 |
| BRASIL | 1.0 | 2.7 | 0.1 | -3.8 | -3.6 | 0.7 | 0.7 | 1.6 | 0.1 |
| SOUTH AFRICA * | 2.5 | 2.2 | 1.6 | 1.3 | 0.3 | 0.8 | -0.3 | 1.2 | -0.5 |

The forecasts by the IMF and the European Commission are pretty similar to those by the OECD, for both 2017 and 2018.

Growth forecasts 2017
IMF, OECD and Commission



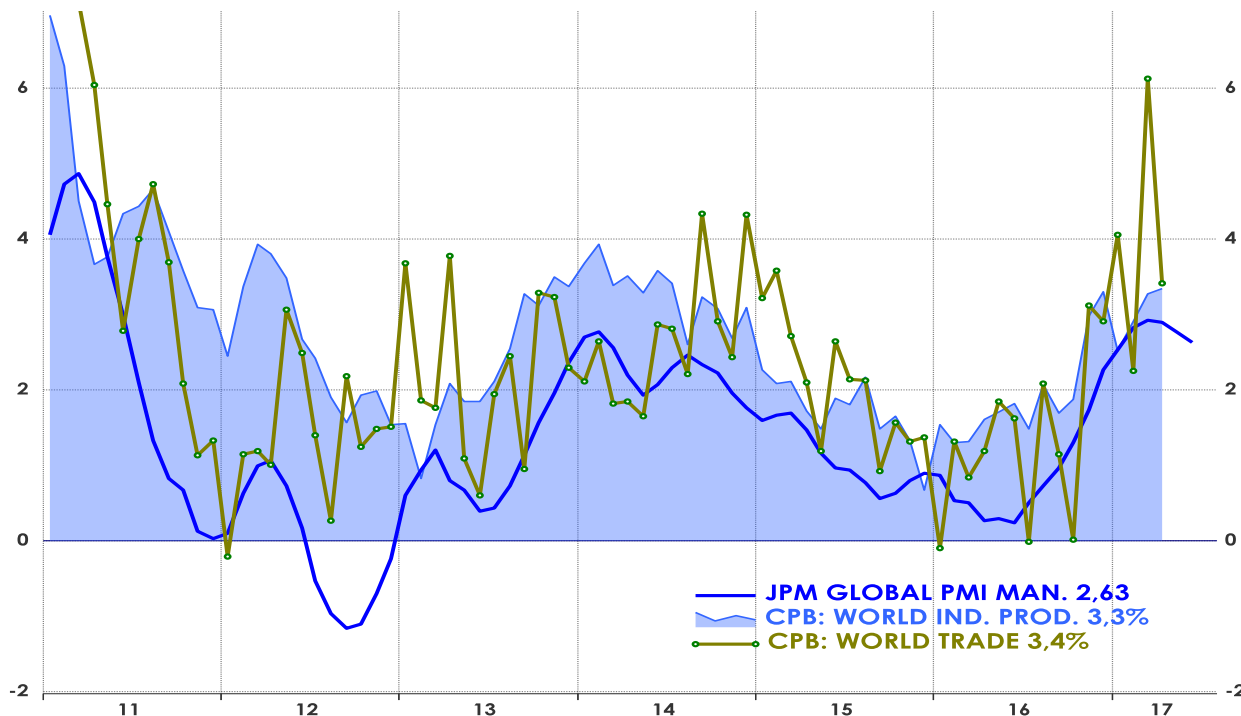
Growth forecasts 2018
IMF, OECD and Commission



EXECUTIVE SUMMARY

The good growth forecasts by international organizations are supported by the latest release of key global indicators. Global industrial production, trade and confidence are all rising. Naturally, there are also downside risks for both advanced and emerging economies. China is particularly under scrutiny even though, as we will see in the report, we believe that its economy is overall still in rather good conditions.

GLOBAL IND. PRODUCTIO, TRADE AND CONFIDENCE
Growth rates – Pmi diff. from 50



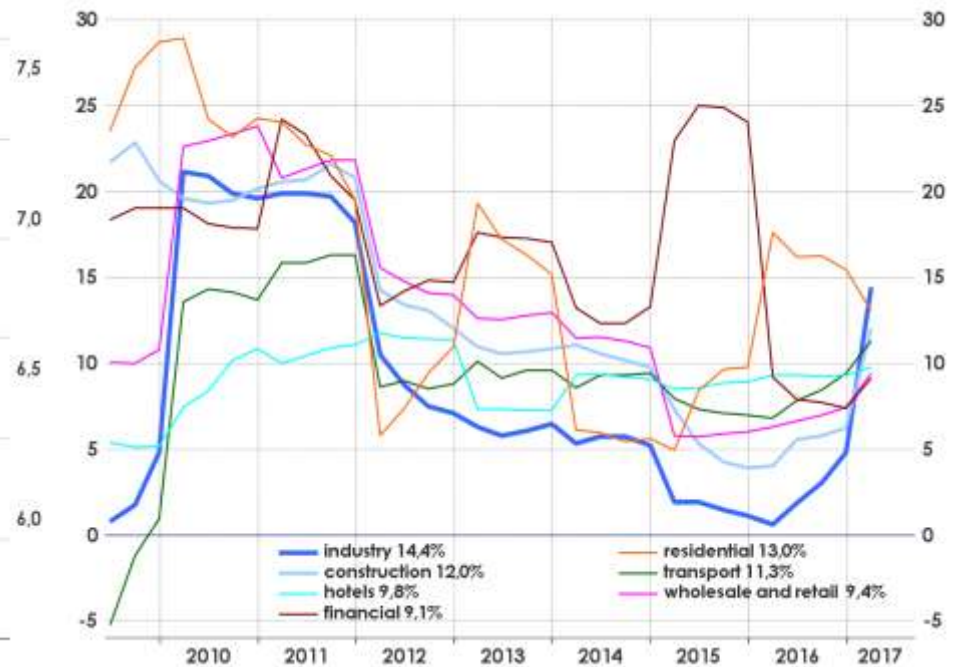
China

In the first quarter 2017, beating consensus forecasts, total Chinese GDP accelerated in annual terms at 6.9%, the fastest growth of the past two years. The manufacturing sector's aggressive impulse is relevant, growing at close to 15%, best performance of the past five years.

GDP – GROWTH RATES



GDP– GROWTH RATES
Added value by sector, % yoy

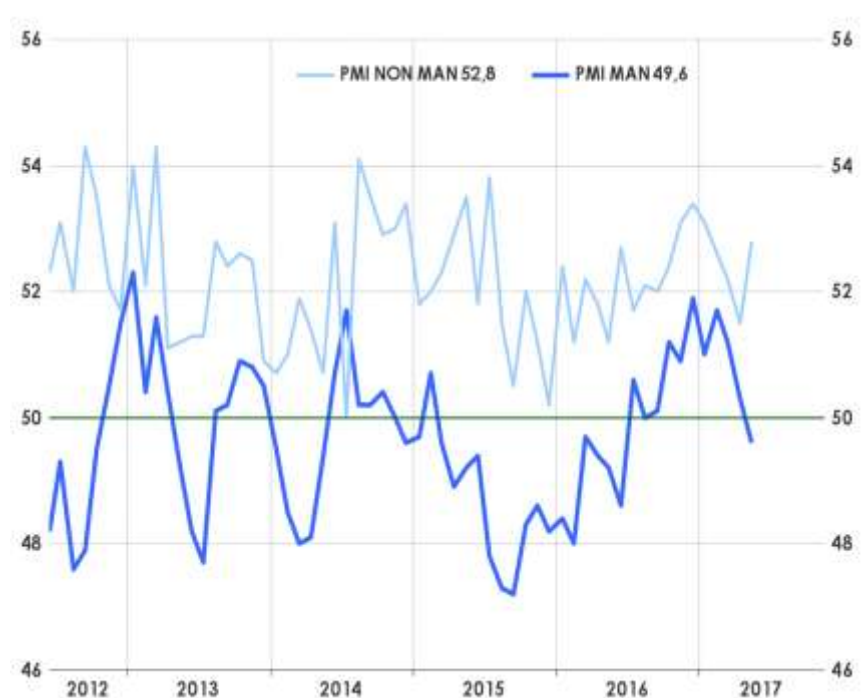


Qualitative indexes still point to expansion, but in industry there's a slowdown, with PMI below 50 points...

COMPOSITE PMI

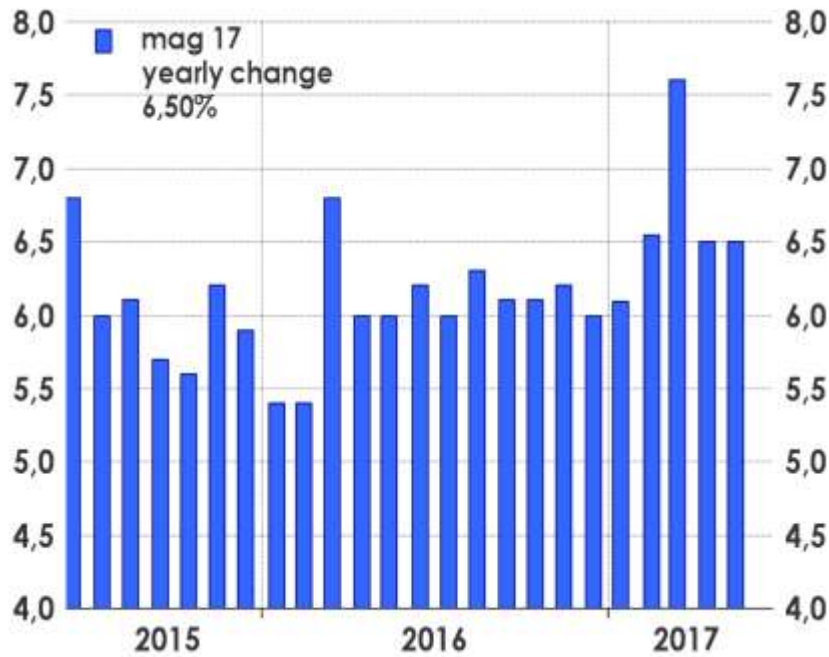


MANUFACTURING AND SERVICES PMI

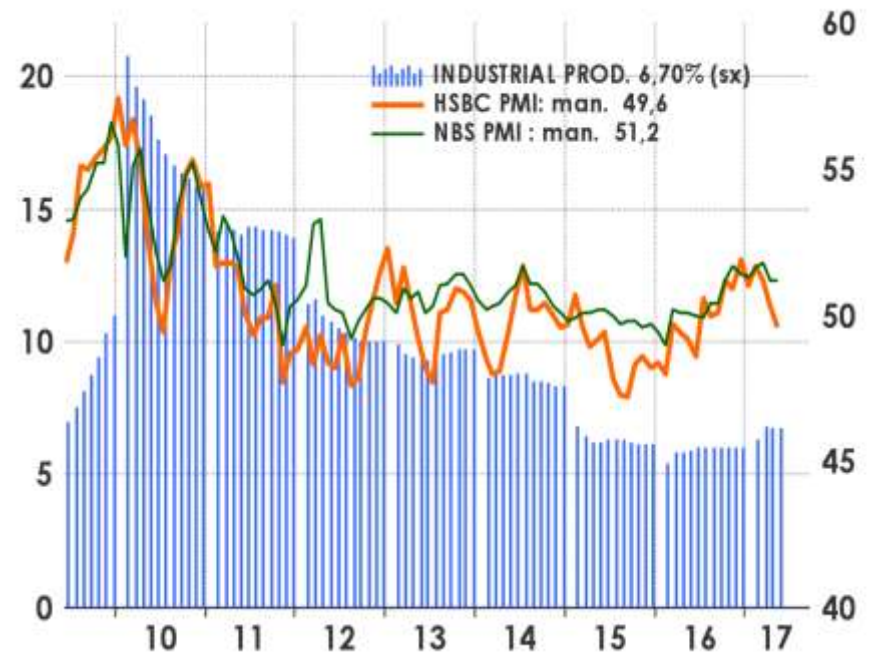


Also real industrial activity has shown a certain adjustment, in line with leading indicators' more subtle dynamics.

INDUSTRIAL PRODUCTION
Short term



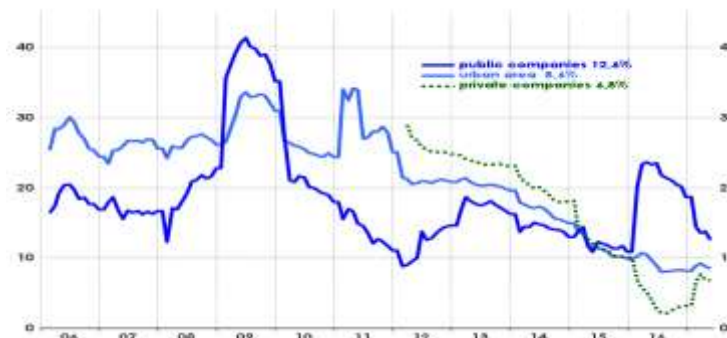
INDUSTRIAL PRODUCTION
Long term



INVESTMENT

Acceleration signals in investment spending are confirmed at the beginning of the new year. Fixed expenses grew in April by 8.9%, much faster than the typical rate in the second semester 2016. Particular interest lies in private spending, coupled with public spending for investments, that during the whole last year was greatly stimulated by the government's infrastructure projects.

PRIVATE AND PUBLIC SPENDING FOR INVESTMENT
Growth rates, values%



INVESTMENTS
Long term – values%

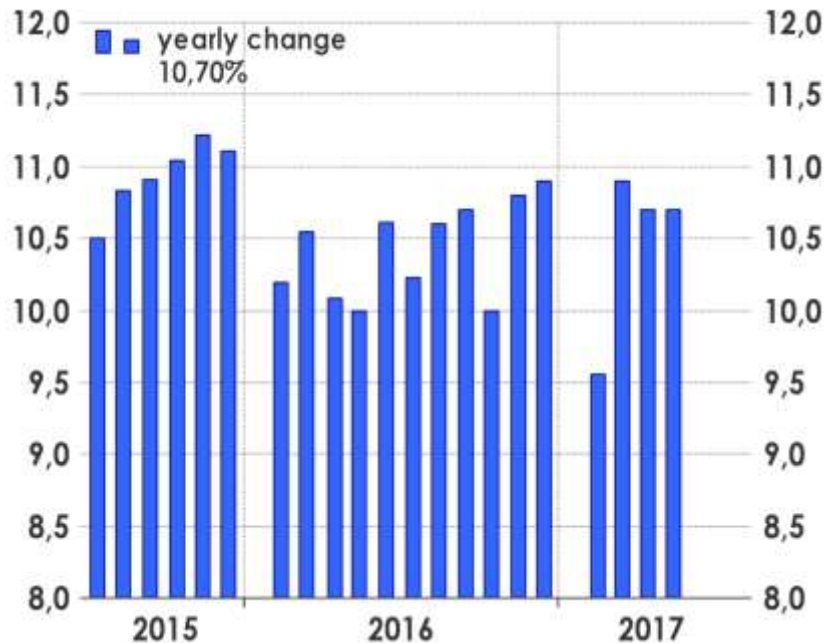


INVESTMENTS
Short term – values%

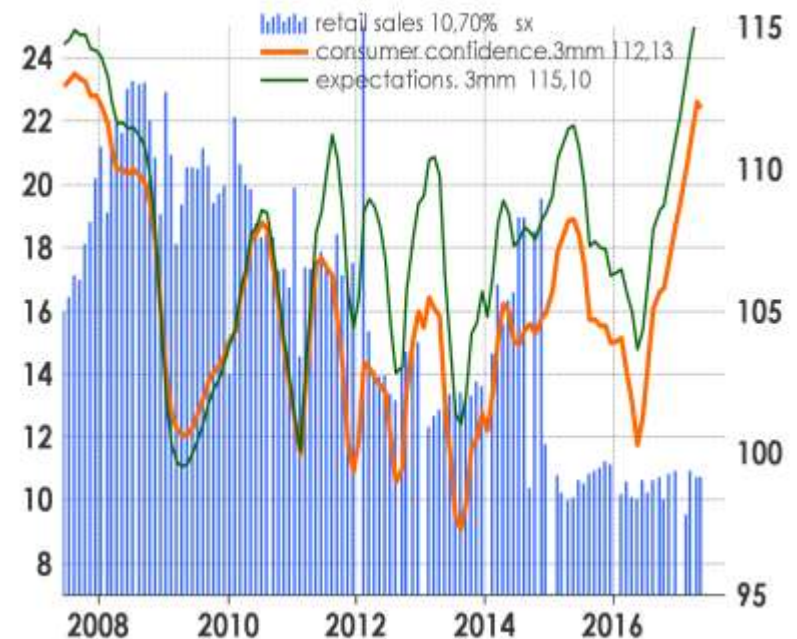


Retail sales' tone is quite sustained, strengthened by households' confidence at multiyear highs.

RETAIL SALES
Short term



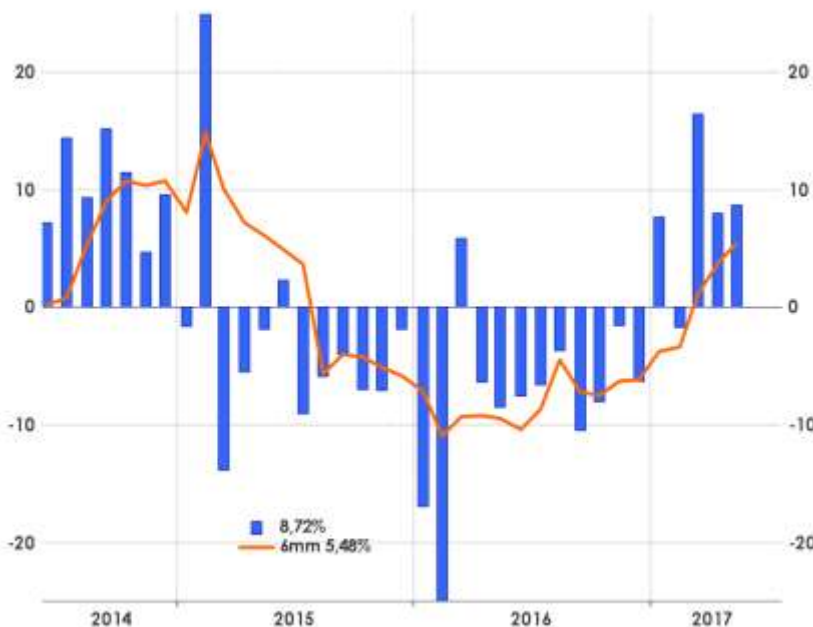
RETAIL SALES
Long term



2017 data confirm the shift in pace for foreign demand, with a decided improvement in export trends, which has also been confirmed in May.

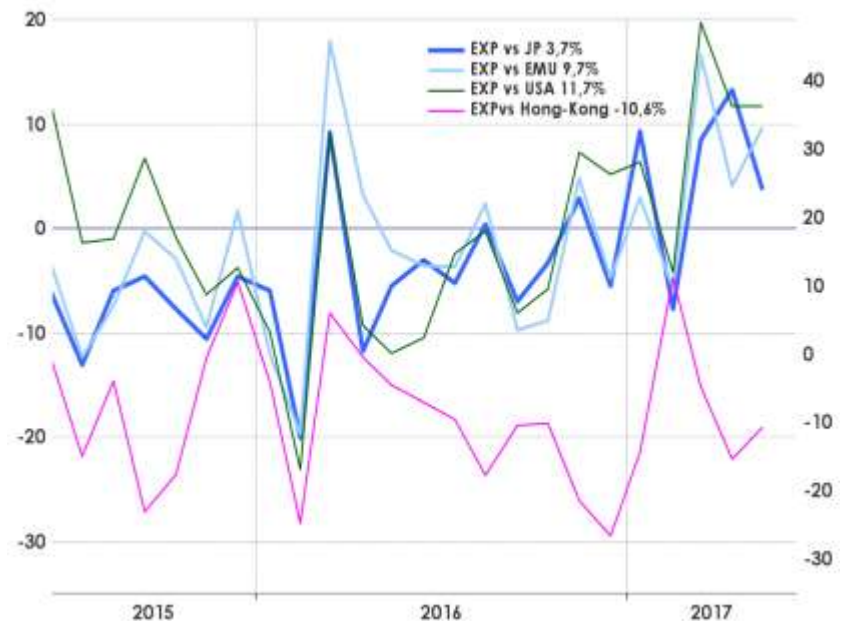
EXTERNAL DEMAND

Exports – 12 m changes and its 6 m moving average



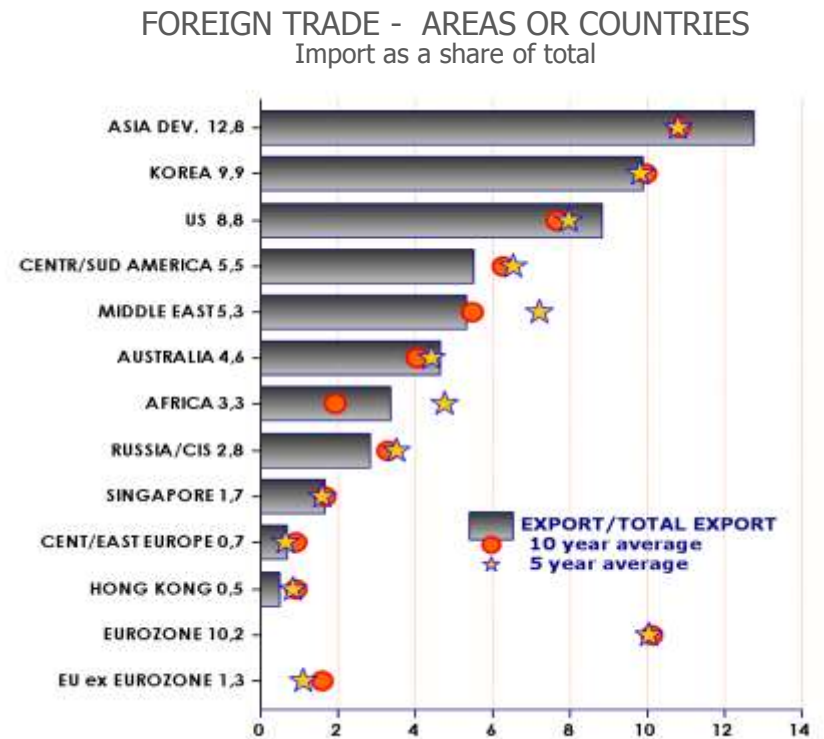
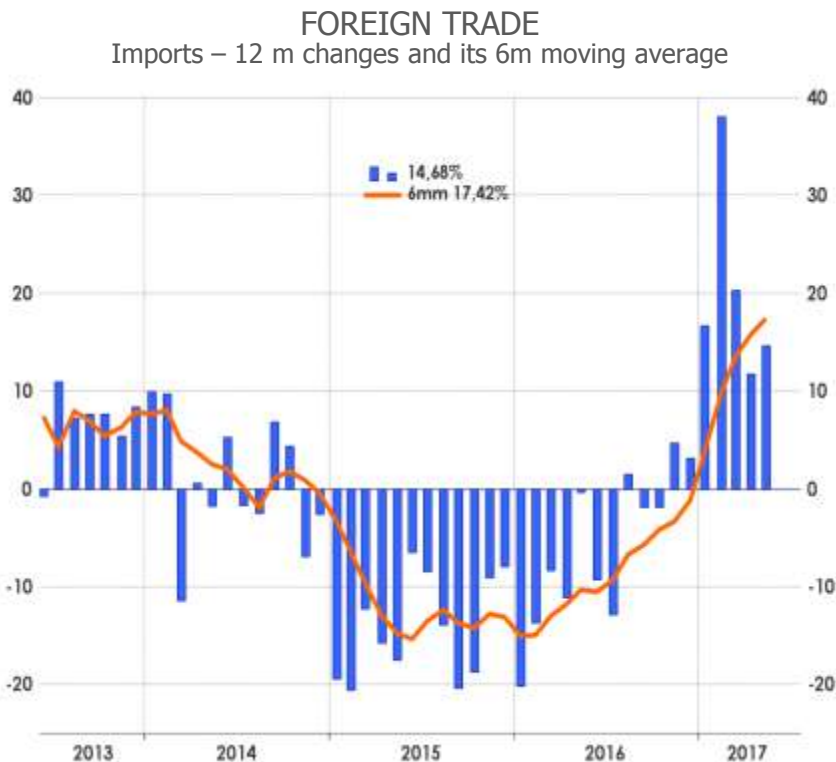
FOREIGN TRADE – VARIOUS COUNTRIES

Exports – 12 m changes



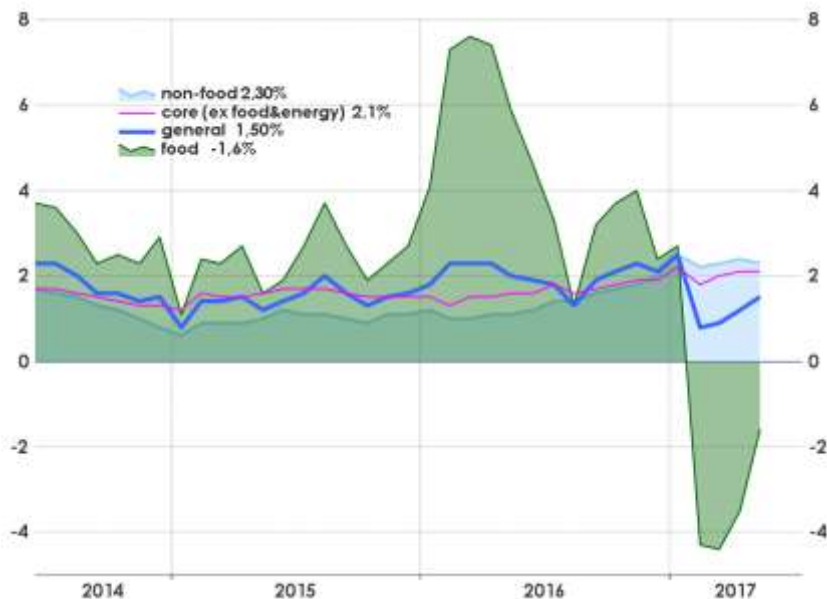
IMPORTS

Imports also have accelerated in significant terms, reaching 2012 peaks...



General inflation is increasing from the lows at the beginning of 2017 thanks to lesser negative pressure on food prices. The general index is currently at 1.5% ...

INFLATION BY BASKETS
Indexes - 12 m changes



INFLATION BY STAGES
Indexes - 12 m changes

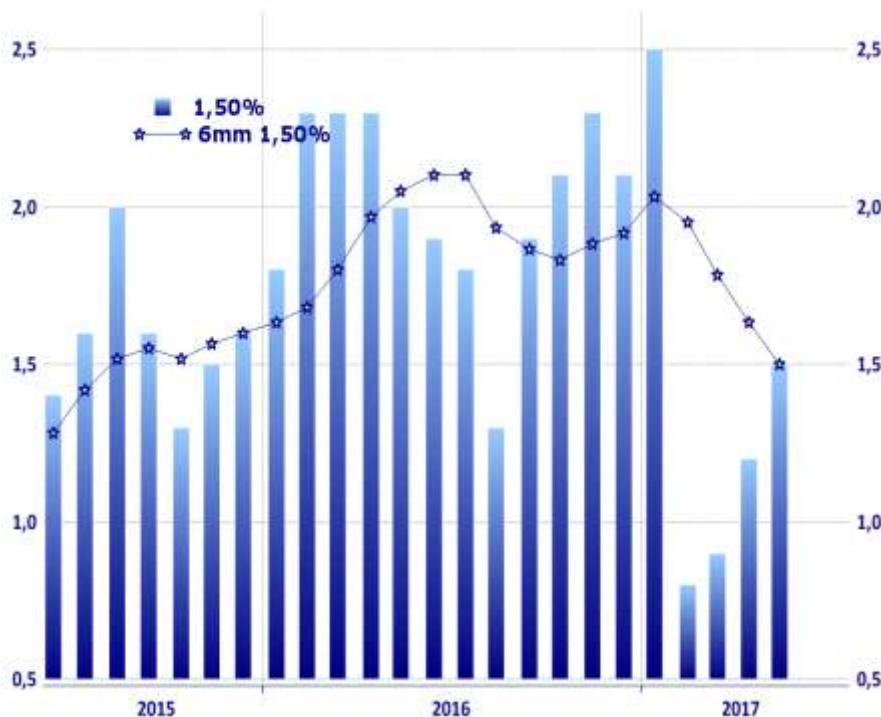


INFLATION

The general index is at a four month high. Also the leading indicator is confirmed at 2011's highs, signaling that price pressure remains on the increase ...

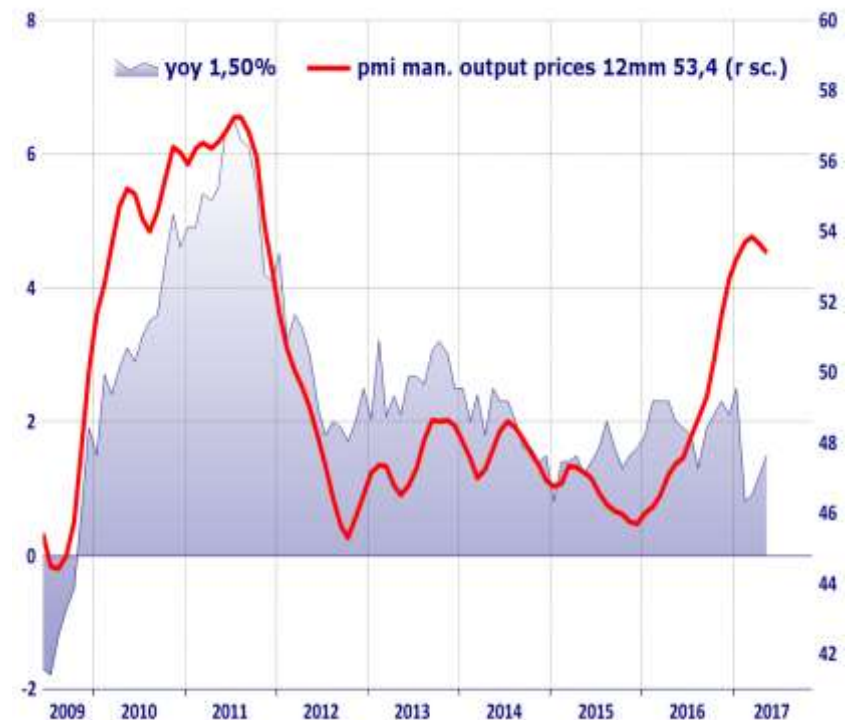
INFLATION– SHORT TERM

General index – 12 m change and its 6 m moving average



INFLATION & LEADING INDICATOR – LONG TERM

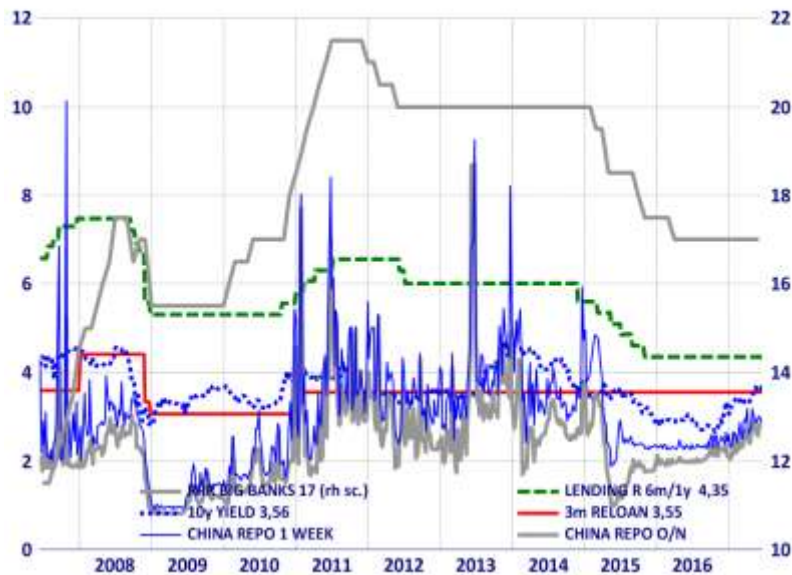
General index – 12 m change and its 6 m moving average



MONETARY POLICY

Monetary policy continues to remain formally the same, but the growth in returns generates a moderate restriction on financial conditions...

CHINA – INTEREST RATES
values %



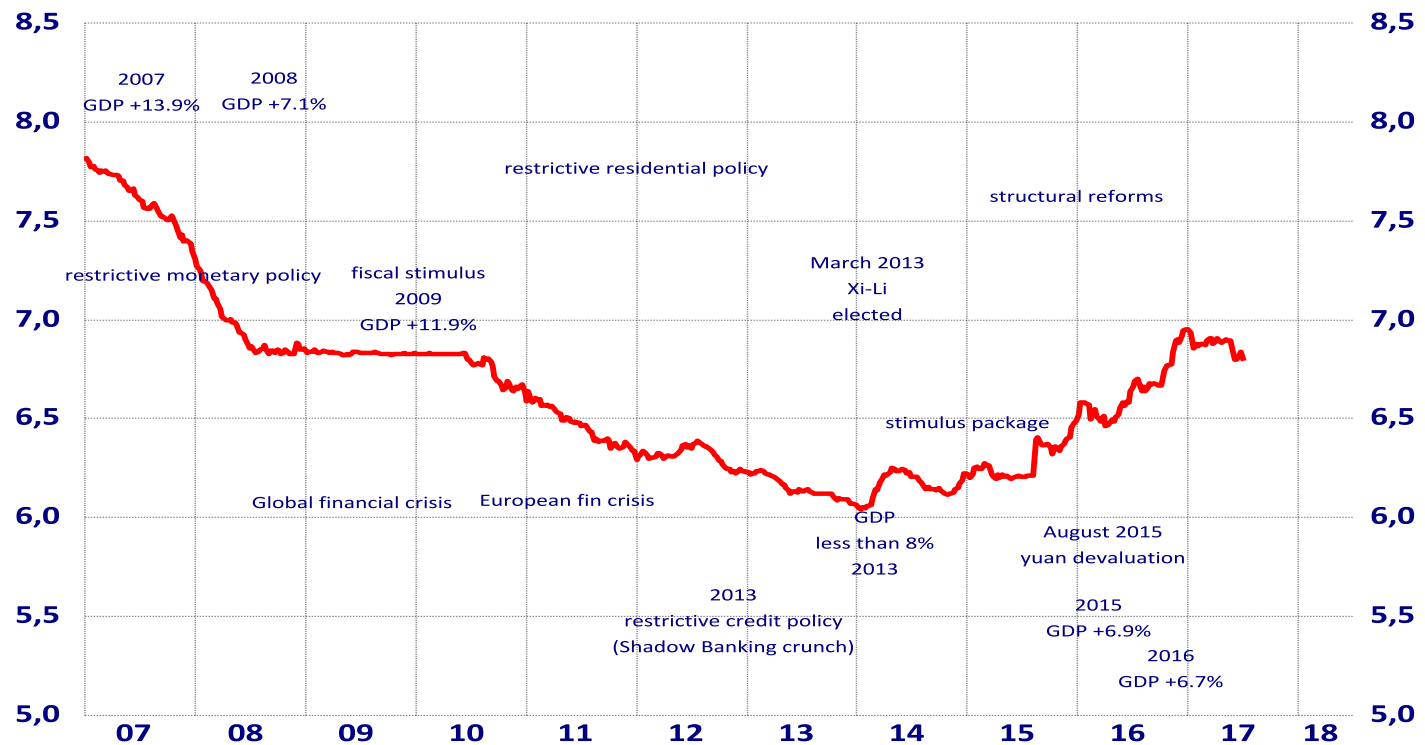
GOVERNMENT BOND RETURNS
last 18 months



EXCHANGE RATE

... that is also reflected in the appreciation of the exchange rate. The yuan is at a six month high against the dollar.

YUAN RENMIMBI vs US\$



The housing market continues to show an exuberant tone, with a significant growth in housing mortgages and prices, that are just slightly slowing down from the previous levels.

HOUSING MORTGAGES

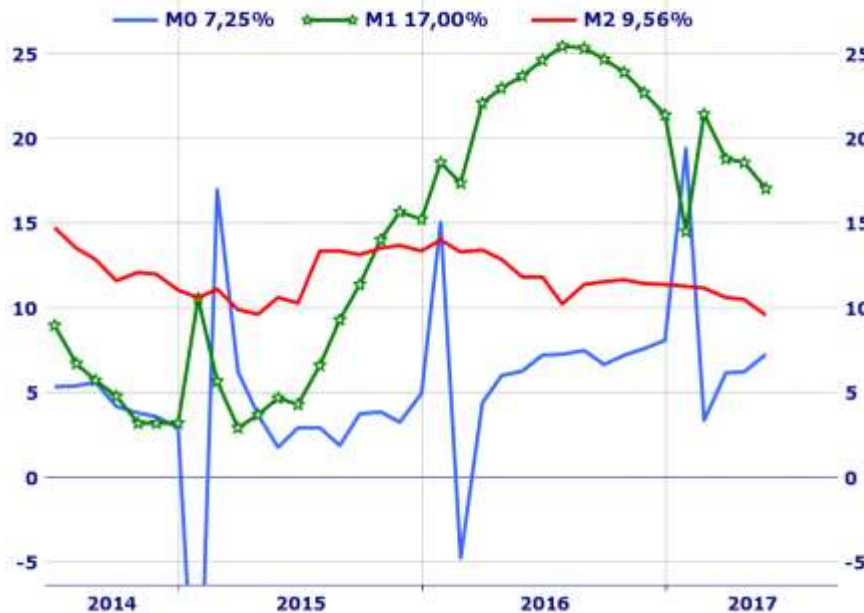


HOUSING PRICES



Also monetary aggregates maintain an exuberant pace, although they too show a slowdown in recent terms due to political decisions.

LIQUID ACTIVITIES - MONEY



MONEY AND GDP



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